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SUBJECT: Japan Economic Scope for September 16, 2008

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11. (U) This cable contains the Japan Economic Scope from  
September 9, 2008

Business  
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12. (U) JFTC Requests Merger Plan From BHP Billiton, Establishes  
Exclusive Review Team

The Japan Fair Trade Commission (JFTC) has ordered mining giant BHP Billiton to submit its plans for a \$147 billion takeover of rival Rio Tinto. JFTC's request is the first time the agency has proposed to review a prospective merger between two foreign entities. JFTC Secretary General Matsuyama confirmed that the JFTC established an exclusive team of eight members in July to review the market situation. The JFTC established such an exclusive team only once before in 1970. The JFTC is unlikely to complete its review of the planned merger until December.

13. (U) Japan Association of Corporate Execs to Visit United States.

Senior researchers from the Association of Corporate Executives (Keizai Doyukai) met with the Economic section September 2 to discuss their September 23-28 visit to New York and Washington. EMIN noted U.S. concern that the bilateral economic relationship was not living up to its potential. Both governments need to show more creativity in working together on regional and global economic issues. Staffers agreed the GOJ has failed to articulate to the Japanese public a dynamic vision for the bilateral relationship. While in the United States, Doyukai members plan to meet a cross section of USG officials and private sector policy experts to obtain insight into current U.S. business conditions and learn more about likely policy proposals of the next U.S. administration. The results of the trip will feed into a report on the future of the U.S.-Japan economic relationship the Association will issue later this year.

14. (SBU) Japan-U.S. Business Council Worries About Stagnant Economic Reform

Japan-U.S. Business Council (JUSBC) Executive Director told EMIN Sept 2 that Council members worry Japan's political drift -- underlined by the PM's recent resignation -- is delaying needed economic reform. In the past, large Japanese corporations could ignore most political discord, but now Japan's economic recovery depends on firm government leadership. Continued political uncertainty is damaging Japan's reputation abroad and discouraging needed inward investment, he said. JUSBC will host the 45th U.S.-Japan Business Conference in Tokyo October 6-7 with the Minister of Health, Labor and Welfare Yoichi Masuzoe as the headline speaker. The draft conference agenda includes discussion of IPR,

Healthcare Reform, prospects for a U.S.-Japan FTA, and Energy, Environment, and the post-Kyoto Framework.

## Environment and Energy

### 15. (U) Japan Takes Next Step in R&D of Coal Gasification and CCS Technology

The Japan Electric Power Development Company (J-Power) and the New Energy Development Organization (NEDO), the GOJ's public R&D management organization, are engaged in a joint project to develop multi-purpose coal gasification technology with the potential to reduce CO2 emissions by as much as 30 percent above the level of existing thermal power generation systems.

The co-development of highly efficient thermal electric power generation and CCS technology figures prominently in the GOJ's "Cool Earth-Energy Innovative Technology Program".

### 16. (U) Japan to Step Up Methane Hydrate Research

Japan has stepped-up its focus on extracting methane hydrate, an alternative gas energy source, with a target date of 2012 for trial methane production, according to Ministry of Economy, Trade and Industry (METI) officials and media reports. Reserves of deep-sea methane hydrate (a sherbet-like compound of methane and frozen water molecules that becomes methane gas when heated) near Japan are relatively abundant, elevating the resource's potential as an alternative to imported fuel stocks in Japan's energy mix. However, the economics of extracting methane from methane hydrate remain

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unknown and researchers must overcome several technical and environmental obstacles before the resource can become commercially viable.

### 17. (U) Japan Seeks Stable Coal Supply Against Fierce Competition

Securing stable, diversified sources of coal, research and investment in zero-emission coal-fired power generation and Carbon Capture and Sequestration (CCS) technology and continued emphasis on resource diplomacy are the pillars of Japan's coal policy, according to Ministry of Economy, Trade and Industry (METI) Agency for Natural Resources and Energy (ANRE) Coal Division Director Hirotoshi Kunitomo. Speaking at the Japan Coal Energy Center's Clean Coal Day 2008, Kunitomo said Japan, which is almost completely reliant on imported coal and is traditionally the largest importer, faces increasing competition from China, which is predicted to become a net importer this year. Accordingly, Japan is moving to diversify its source of supply beyond such traditional suppliers as Australia and to secure more varied types of coal, which accounts for 23 percent of Japan's electricity generation. To this end, the GOJ is supporting private companies in overseas mining ventures by providing credit guarantees and trade insurance. To increase global coal mining output, the GOJ is also providing producing countries such as China, Vietnam, Indonesia, and India with assistance to upgrade their coal industries with more efficient mining technology.

## Japan's Foreign Relations

### 18. (U) Official Development Assistant Loan to Bulgaria To Develop Two International Ports

The Japan Bank for International Cooperation (JBIC) signed on August 29 an official development assistance (ODA) loan totaling 36,932 million yen (\$348 million) with Bulgaria. The loan will finance the "New Container Terminals Development Project at the Ports of Varna and Bourgas". The project consists of building container terminals and their ancillary facilities such as port security, and installing necessary equipment at the two ports. The loan will be used for construction of the terminals, access roads to the ports and consulting services. The container terminals will be operated by private firms to be selected in a concession contract. JBIC will

also provide technical assistance in selection of the operators

¶9. (U) Japan-India Economic Partnership Agreement Negotiations - 9th Round

Japan and India held the ninth round of Economic Partnership Agreement (EPA) negotiations September 8-12 in New Delhi at the Ministry of Commerce and Industry. In this round, both sides discussed market access of trade in goods and such issues as rules of origin, general rules, customs procedures, trade in services, investment, intellectual property, and official development assistance cooperation.

Technology, Telecom, and IPR

¶10. (U) Japan Patent Office to Launch Patent Strategic Portal

The Japan Patent Office (JPO) recently announced plans to launch a new pilot program, the "Patent Strategic Portal." This website will pool patent application data, and make it available to users for analysis and more strategic thinking about patents. The site will host information in six general categories, including: basic patent information (for 10 years); examination status list (since Jan. 2001); first examination list (2006-07); projected timing for examination of un-examined applications; list of appeals (applications requesting appeal against rejections); and simple analytical reporting. Eligible applicants who have filed more than 20 applications in the past 10 years can access the first five categories, while applicants filing more than 400 applications in 10 years can access the analytical reports. Roughly 10,000 Japanese firms have filed more than 20 applications in 10 years and would be eligible to apply for access to the portal.

SCHIEFFER